

Message Text

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ACTION NEA-11

INFO OCT-01 EUR-12 ISO-00 ACDA-12 AID-05 MCE-00 EB-08
OMB-01 TRSE-00 COME-00 CIAE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
/103 W

-----126023 181431Z /46

R 170629Z MAY 78
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 8413
INFO AMEMBASSY LONDON
USCINCEUR VAIHINGEN GE
SECRETARY OF DEFENSE WASHDC

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EO 11652: N/A
TAGS: MASS UK IR
SUBJ: UK-IRAN ARMS DEAL

1. TEHRAN'S TWO ENGLISH TANGUAGE PAPERS CONTAINED ARTICLES
MAY 11 ANNOUNCING IRAN BRITISH ARMS DEAL INVOLVING
MANUFACTURE OF AMMUNITION AT A NEW MILITARY INDUSTRIAL
COMPLEX TO BE CONSTRUCTED NEAR ISFAHAN. VMOW GENERAL
TOUFANIAN TELLS US THAT AMMUNITION MANUFACTURE IS ONLY ONE
ASPECT OF DEAL, WHICH RELATES TO TOTAL PACKAGE OF IRANIAN
ACQUISITION OF TANKS FROM UK. TOUFANIAN HAS PROVIDED US
INFORMTION CONTAINED BELOW ON DEAL, WHICH HE SAYS COULD
AMOUNT TO AS MUCH AS ONE BILLION POUNDS STERLING.

2. IN 1973, AFTER THOROUGH ASSESSMENT AND DETAILED
ANALYSIS (WHICH TOUFANIAN LIKENED TO PROCESS INVOLVED
IN GOI CHOICE OF F-14 OVER F15), UK WAS CHOSEN AS
PRINCIPAL GOI SOURCE FOR TANKS. BRITISH ASSERTED THAT
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WITHIN THREE YEARS THEY COULD PRODUCE TANK (THE
CHIEFTAIN) WITH 1200 HORSEPOWER ENGINE FOR IRAN.
TOUFANIAN SAID IN HIS JUDGMENT THIS WOULD BE IMPOSSIBLE,
AND HE SO STATED AT THE TIME; HOWEVER, DECISION WAS
TO PRESS ON.

3. MILLBANK TECHNICAL SERVICES (FIRM ESTABLISHED BY

HMG TO IMPLEMENT 1973 AGREEMENT) STARTED OFF ON WRONG FOOT BY GROSSLY OVERCHARGING IRANIANS, AND WHN CALLED ON THIS FINALLY HAD TO ADMIT THAT, AS TOUFANIAN CHARACTERIZED THEM, UNTRUE BILLS" HAD BEEN PRESENTED TO IRAN. WITH THE BRITISH AGREEING THAT THE GOI HAD BEEN CORRECT IN ITS ASSERTIONS THERE WAS WHAT TOUFANIAN CALLED "A PURGE" OF MTS. THIS, IN CONJUNCTION WITH LEYLAND'S DIFFICULTIES WITH THE CHIEFTAIN TANK ENGINE (AS TOUFANIAN HAD PREDICTED), CAUSED A MULTI-YEAR DELAY IN MOVING AHEAD WITH THE TOTAL PROJECT.

4. THE IRANO-BRITISH PROTOCL SIGNED MAY 7 INDICATES THAT EARLIER PROBLEMS AND DIFFICULTIES HAVE BEEN IRONED OUT; THE TOTAL PROGRAM WILL NOW GO FORWARD, WITH NEGOTIATIONS CONTINUING ON INDIVIDUAL ASPECTS OF THE PACKAGE ON WHICH CONTRACTS HAVE YET TO BE SIGNED. TOUFANIAN SAID FROM OUTSET PRINCIPAL FEATURE WAS TRANSFER OF TECHNOLOGY. AIM IS TO DEVELOP GOI CAPABILITY TO MAINTAIN, REPAIR, AND OVERHAUL TANKS ACQUIRED FROM UK, AND EVENTUALLY TO PRODUCE THE SHIR TANK. (THE SPECIAL TANK BEING DEVELOPED BY THE UK SOLELY FOR IRAN, THE FIRST PRODUCTION OF WHICH WILL BE RECEIVED IN IRAN IN ABOUT ONE YEAR). IT IS EXPECTED TO TAKE SIX YEARS TO COMPLETE THE COMPLEX NEAR ISFAHAN, BUT THE GOI HOPES IT CAN BE ACCOMPLISHED SOONER. THE COMPLEX WILL INVOLVE A TRAINING CENTER, LIMITED OFFICIAL USE

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A FOUNDRY, AND OTHER ELEMENTS INCLUDING FACILITIES ENABLING PRODUCTION OF AMMUNITION FOR THE CHIEFTAIN AND SHIR TANKS. IRAN PLANS TO PRODUCE PERHAPS 15 TO 20 THOUSAND SPARE PARTS FOR THESE TANKS AT THE COMPLEX, INCLUDING THE 120 MILLIMETER GUN. PRIOR TO ACTUAL TANK PRODUCTION IN COUNTRY. THE IRANIANS EXPECT TO ASSEMBLE SOME TANKS HERE. IT IS PROJECTED THAT THE FIRST ELEMENTS OF THE COMPLEX WILL BEGIN OPERATION IN ABOUT TWO AND ONE-HALF TO THREE YEARS.

5. THE IRANIANS HAVE TWO ADDITIONAL TANK COMPLEXES ONE IS AT MASJID-E-SOLEIMAN, WHERE OVERHAUL AND MAINTENENACE ON US TANKS IS DONE. THE OTHER IS FORUD, EAST OF KHORRAMBAD AND SOUTHWEST OF ARAK, WHERE THE IRANIANS ARE ABLE TO PRODUCE TANK TRACKS FOR ALL TANKS IN THE IIGF INVENTORY, AS WELL AS AGRICULTURAL AND OTHER CIVIL VEHICLES, AND TO DO SOME TANK REPAIR WORK. TOUFANIAN SAID THE BRITISH HAD INITIALLY RESISTED PRODUCTION OF ALL TANK TRACKS AT THE DORUD FACILITY, BUT ULTIMATELY WERE OBLIGED TO ACCEPT THAT IRANIAN CONDITION IN ORDER TO REACH AGREEMENT ON THE TOTAL DEAL.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, MILITARY EQUIPMENT, AMMUNITION, MILITARY SALES
Control Number: n/a
Copy: SINGLE
Draft Date: 17 may 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TEHRAN04722
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780209-0768
Format: TEL
From: TEHRAN
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780547/aaaabobn.tel
Line Count: 117
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 34dcb39b-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2658671
Secure: OPEN
Status: NATIVE
Subject: UK-IRAN ARMS DEAL
TAGS: MASS, SOPN, UK, IR
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/34dcb39b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014